CONDUIT RE

Conduit Holdings Limited

Q3 2022 Trading Update

Balance sheet strength and underwriting focus put Conduit Re in an excellent position to take advantage of exceptional market conditions

9 November 2022

Forward looking statements

Important note:

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", “goals”, “objective”, “rewards”, ”expectations”, "projects", "anticipates", "expects", “achieve”, "intends", “tends”, “on track”, “well placed”, "estimated", “projected”, "may", "will", "aims", "could" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, pricing rate changes, terms and conditions, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, claims development, losses and future prospects; and (ii) business and management strategies and the expansion and growth of CHL's operations.

Forward-looking statements may and often do differ materially from actual results. Forward-looking statements reflect Conduit Holdings Limited’s (CHL) current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to CHL's business, results of operations, financial position, liquidity, prospects, growth and strategies. These risks, uncertainties and assumptions include, but are not limited to: the possibility of greater frequency or severity of claims and loss activity than CHL’s underwriting, reserving or investment practices have anticipated; the reliability of catastrophe pricing, accumulation and estimated loss models; the actual development of losses and expenses impacting estimates for claims which arose as a result of recent loss activity such as the Ukraine crisis, Hurricanes Ian and Ida, and the European storms and floods in 2021; the impact of complex causation and coverage issues associated with attribution of losses to wind or flood damage; unusual loss frequency or losses that are not modelled; the effectiveness of CHL’s risk management and loss limitation methods, including to manage volatility; the development of CHL’s technology platforms; a decline in Conduit Re’s ratings with A.M. Best or other rating agencies; the impact that CHL’s future operating results, capital position and ratings may have on the execution of CHL’s business plan, capital management initiatives or dividends; CHL’s ability to implement successfully its business plan and strategy during ‘soft’ as well as ‘hard’ markets; the premium rates which are available at the time of renewals within Conduit Re’s targeted business lines; increased competition on the basis of pricing, capacity or coverage terms and the related demand and supply dynamics as contracts come up for renewal; the successful recruitment, retention and motivation of CHL’s key management and the potential loss of key personnel; the credit environment for issuers of fixed maturity investments in CHL’s portfolio; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates and the timing and extent of any such changes; the impact of inflation or deflation in relevant economies in which CHL operates; CHL becoming subject to income taxes in the United States or in the United Kingdom; and changes in insurance or tax laws or regulations in jurisdictions where CHL conducts business. Forward-looking statements contained in this trading update may be impacted by the escalation or expansion of the Ukraine conflict on Conduit Re's clients, the volatility in global financial markets and governmental, regulatory and judicial actions, including coverage issues.

Forward-looking statements speak only as of the date they are made. No representation or warranty is made that any forward-looking statement will come to pass. These forward-looking statements speak only as at the date of this announcement. CHL disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so by law or regulation.

"Estimated ultimate premiums written" is the estimated total gross premiums written that is expected to be earned assuming all bound contracts run to the end of the period of cover, after management discount for prudence.

The Conduit Re renewal year on year pricing change measure is an internal methodology that management intends to use to track trends in premium rates of a portfolio of reinsurance contracts. The change measure reflects management's assessment of relative changes in price, exposure and terms and conditions. It is also net of the estimated impact of claims inflation. The calculation involves a degree of judgement in relation to comparability of contracts and the assessment noted above, particularly in Conduit Re's initial years of underwriting. To enhance the methodology, management may revise the methodology and assumptions underlying the change measure, so the trends in premium rates reflected in the change measure may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of Conduit Re contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.

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The "perfect storm" for the January 2023 renewals

		Impact on Reinsurance industry	Conduit Re's position
Macro-economic factors	High single to double-digit inflation across most developed countries, with continuing social inflation issues	Growth in exposures	Substantial capital available to be deployed
		Increased focus on pricing assumptions	Robust inflation approach in our portfolio pricing
		PY reserves potential for solvency issues	No legacy portfolios
		Increasing operational costs	Lean operations, double-digit $M/employee
	Increasing interest rates from historical lows	Mark-to-Market unrealised losses, but also reinvesting at higher yields	Short duration (2.3y) & high-quality portfolio (AA); 1.8% book and 4.8% market yield
Insurance specific	New Nat Cat environment requires more coverage	Retrenchment or withdrawal by some large players due to adverse historical performance. Third-party capital unable to fill the gap	Ample Nat Cat capacity available within ~70/30 Non-Cat/Cat strategy and unbundling of risks
	Stressed balance sheets due to macro-environment and year-to-date losses	Increased demand for reinsurance coverage	Fully operational towards 1/1, ready to grow profitably by taking advantage of increased demand and enhanced conditions

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Conduit Re is ideally built for the current market conditions

Pure play reinsurer with substantial capital available to be deployed

Balanced and diversified approach with ample Cat capacity available within ~70/30 Non-Cat / Cat portfolio

Class, geography and client agnostic - only underwriting risks that we can measure, analyse and price appropriately

Conservative Asset Management approach with high (AA) average credit quality and low (2.3 years) duration

Strong balance sheet with no legacy issues with a strong level of capital to support our AM Best A- (Excellent) rating

Data and technology focus prioritising on U/W technologies to provide the highest levels of service to brokers & clients

Open, meritocratic culture with local talent focus & integrated ESG approach supported by diverse workforce and Board[1)]

1) *Respectively 51% and 33% female*

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First nine months of 2022 highlights

- Continued growth of a high-quality reinsurance franchise focused on selective underwriting, with excellent support from clients and brokers:
  - Estimated ultimate premiums written of $600.9 million, an increase of 55.0% on the first nine months of 2021 estimated ultimate premiums written of $387.7 million
  - Gross premiums written of $528.1 million, an increase of 81.4% over the same period of 2021
- Net incurred losses in the third quarter related to Hurricane Ian of approximately $40 million (4.5% of H1 2022 Shareholders' Equity, compared to Reinsurance-focused peers average of 7%[1)]); unchanged net incurred losses in the first half of 2022 related to the Ukraine War: $24.6 million[2)] net impact
- The underlying business remains on track to deliver a mid-80's combined ratio in the medium term
- Market conditions remain strong, with continuing rate increases and improvements in T&Cs, promoting a diversified and balanced portfolio growth, with a 4% renewal price change net of estimated claims inflation

1) *Source: Dowling & Partners, 3 November 2022*
2) *After reinsurance and reinstatement premiums*

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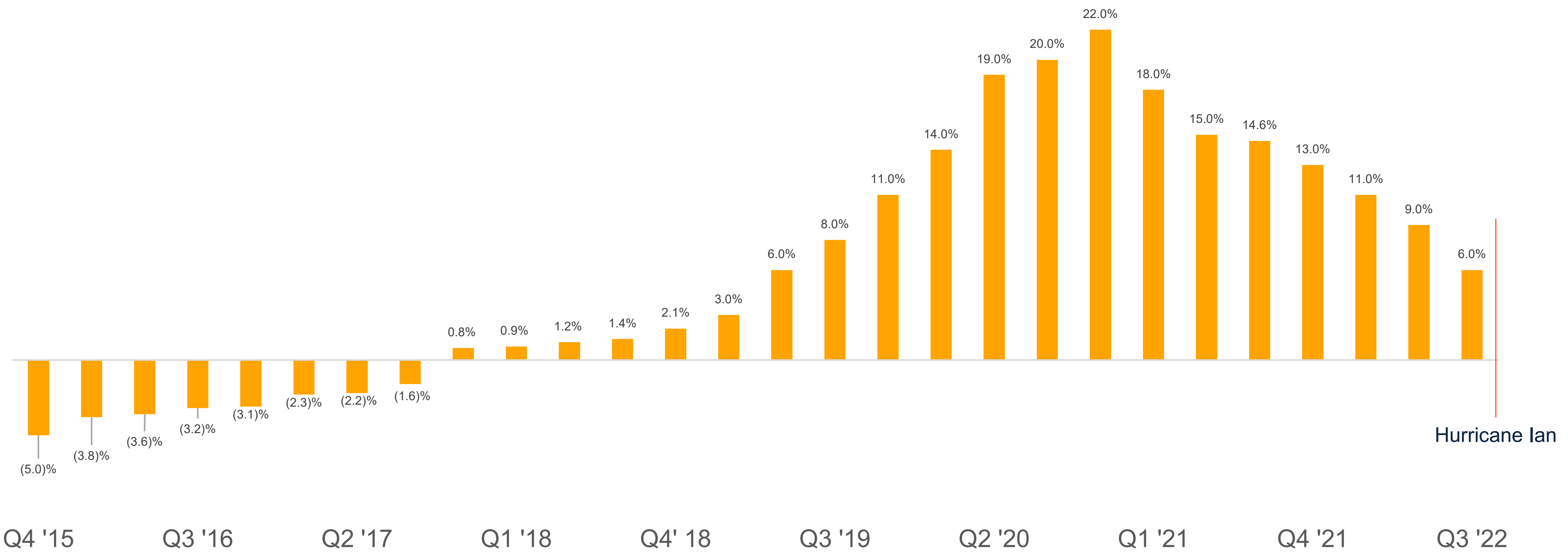
Robust global pricing environment expected to harden

Marsh Global Insurance Pricing Change (gross of claims inflation)



- Pre-Hurricane Ian, global commercial insurance prices rose 6% in the 3rd quarter, the 20th consecutive quarter of rising prices
- Global Property insurance pricing rose as much as the previous quarter, with the overall slower pace of growth driven by the first decrease in certain financial and professional lines seen since Q3 2017, most notably in D&O insurance

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Conduit Re pricing experience outpaces inflation

- Year-to-date renewals:
  - Cat pricing significantly increased
  - Fundamental supply and demand imbalance already in place pre-Hurricane Ian
  - Conduit has taken advantage of capacity constraints in the property market

- On a year-to-date basis (pre-Hurricane Ian) our overall risk-adjusted rate change is 4% net of estimated claims inflation, with high single-digit overall risk-adjusted rate change, gross of claims inflation:

Division	1/1 Renewals	Q1 to date	H1 to date	Q3 to date
Property	8%	8%	8%	7%
Casualty	4%	3%	1%	1%
Specialty	2%	2%	2%	2%
Overall[1)]	**5%**	**5%**	**4%**	**4%**

- Early January 1 2023 renewals indications point to further significant risk-adjusted increases and continuation of Terms & Conditions discipline

1) *On a weighted basis*

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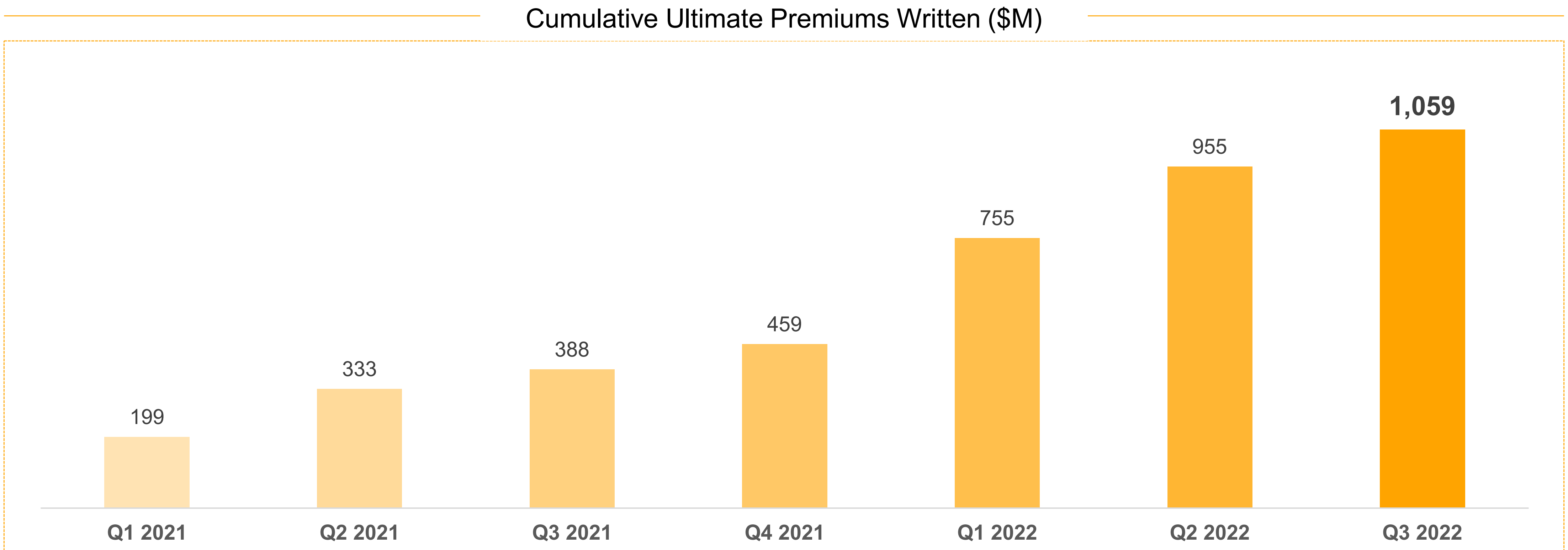
Strong growth trajectory: $1.1bn written in 21 months



- Slightly ahead of IPO plans, with the market presenting better opportunities than originally factored
- Strong growth has been executed within strict technical U/W parameters, never compromising on the quality of the new business
- Within current market conditions we can accelerate our growth, focusing, in order of priority, on Property, Specialty and Casualty

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First nine months of 2022, financial highlights

$M, Year-to-date	Q3 2022	Q3 2021
Est. Ultimate Premiums Written	600.9	387.7
Gross Premiums Written	528.1	291.2

Est. Ultimate Premiums Written, Year-to-date	Q3 2022		Q3 2021	
	$M	%	$M	%
Quota Share (QS)	426.4	71.0%	269.0	69.4%
Excess of Loss	108.1	18.0%	46.9	12.1%
QS of Excess of Loss	66.4	11.0%	71.8	18.5%
Total	**600.9**	**100%**	**387.7**	**100%**

Gross Premiums Written, Year-to-date	Q3 2022		Q3 2021	
	$M	%	$M	%
Quota Share (QS)	360.5	68.3%	182.4	62.6%
Excess of Loss	108.1	20.5%	46.9	16.1%
QS of Excess of Loss	59.5	11.2%	61.9	21.3%
Total	**528.1**	**100%**	**291.2**	**100%**

- Strong growth driven by continued positive rate increases and franchise momentum
- Total capital and tangible capital of the Group on 30 September 2022 was $0.8 billion
- During the third quarter of 2022, the Group's Board of Directors declared an interim dividend of $0.18 (approximately £0.15) per common share (in respect of the first half of 2022) which was paid in pounds sterling on 9 September 2022 to shareholders of record on 19 August 2022, resulting in an aggregate payment of $29.6 million

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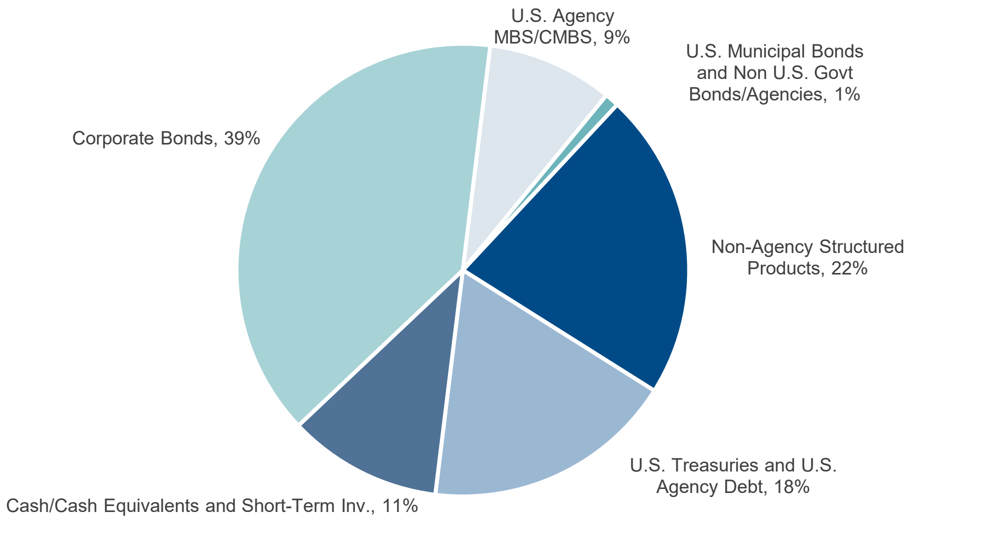
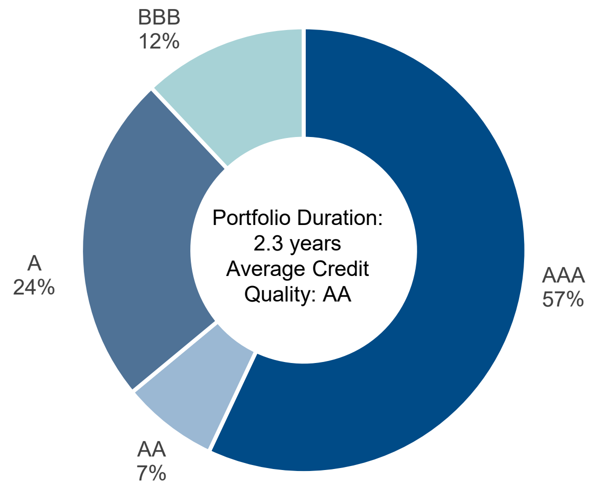
High quality investment portfolio

Asset Allocation as of 30 September 2022



Credit Quality as of 30 September 2022



- Capital preservation and liquidity to support our underwriting teams remain of paramount importance and determine our low-risk strategic portfolio allocation
- High quality investment portfolio, USD focused, with no equities, derivatives or alternatives
- Short duration portfolio allows Conduit Re to mitigate the impact of actual and expected interest rate hikes
- (6.2)% net investment return driven by expected rate hikes; $74.8 million unrealised loss
- Book yield of 1.8%; Market yield of 4.8%
- Continued consideration of ESG factors on management of investments

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We are ready to accelerate our profitable growth

- The (re)insurance industry will be one of the few industries to grow in a world which "may be edging toward a global recession in 2023"[1)]
- The existing capacity crunch has led to a hard pricing environment, particularly for property cat
- Reinsurers with immediately available capital and cat capacity will benefit
- Conduit Re is forward-looking and does not have to manage back years reserving challenges
- Conduit Re has a strong, legacy-free balance sheet, ready to be deployed into exciting market conditions

Conduit Re is ready to accelerate its growth trajectory within its profitability requirements

1) *Source: The World Bank, September 2022*

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APPENDIX

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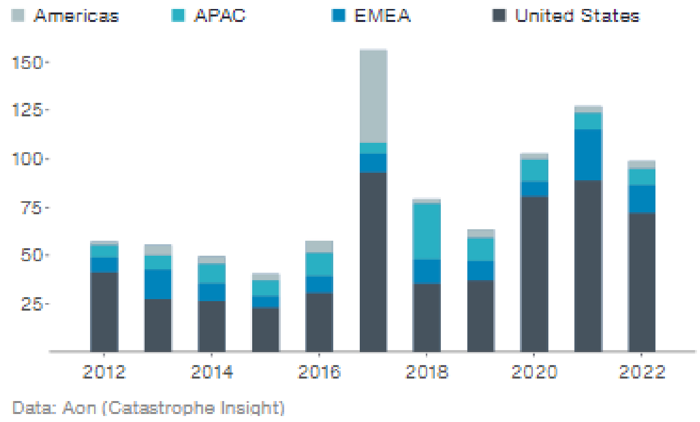
Industry large losses for the first nine months of 2022



- Losses from perils accelerated in the third quarter and Hurricane Ian is anticipated to be the costliest singular weather event for the year, and potentially one of the costliest insured loss events on record globally[1)]
- Hurricane Ian made landfall in the US state of Florida as a strong category 4 hurricane on 28 September 2022. It continued its path north-east across Florida before making a second landfall in South Carolina
- Our ultimate loss estimate, net of reinsurance and reinstatement premiums, for this event is approximately $40 million. While reserves have been recorded for this event, significant uncertainty exists in relation to the ultimate losses

As regards the crisis in Ukraine and the Russian invasion on 24 February, Conduit confirms its initial estimates communicated to the markets with the Q1 2022 Trading Update of 11 May 2022, with a net impact for the first quarter of $24.6 million[2)] including aviation, war on land and marine war:

- Net incurred losses estimated between $15 million and $30 million, net of reinsurance and reinstatement premiums
- No losses have been reported to date; Conduit Re's reserve estimates continue to be derived from a combination of market data and ground-up assumptions, modelled loss projections, reports from cedants and market determination of loss events
- Conduit Re does not underwrite trade credit or political risk, nor active in cyber
- Typical Conduit Re treaties' structures have provisions for event limits and aggregate caps

1) *Source: AON October 2022 Global Catastrophe Recap*
2) *After reinsurance and reinstatement premiums*

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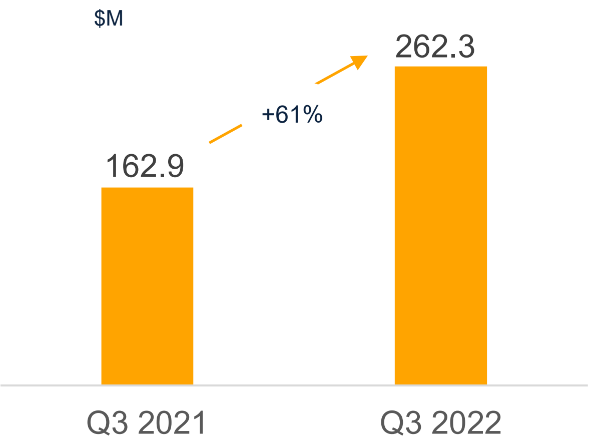
First nine months of 2022, segment update

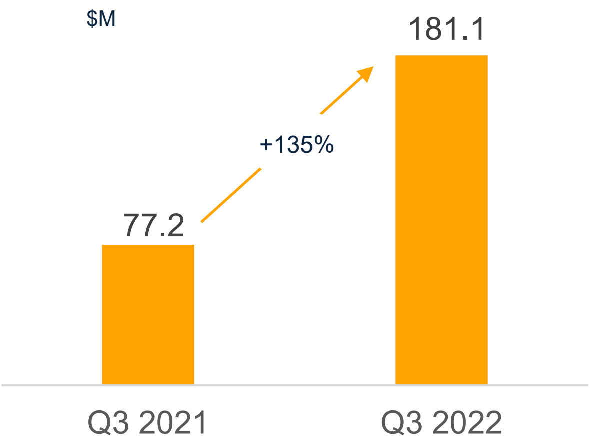
Gross Premiums Written

Property



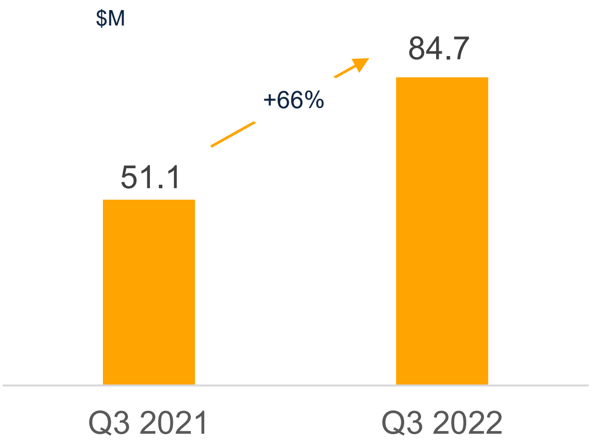
- Shortage of capacity in the market
- Significant growth achieved with quality of underwriting portfolio maintained
- Target line size maintained thus achieving growth without altering risk profile of the underwriting portfolio

Casualty



- Rates continue to move ahead of inflation due to historical underpriced business and reserve stresses
- Selected business available at commercially attractive rates

Specialty



- Growth driven by improving underlying underwriting market discipline, evidenced by underwriters identifying and pricing specifically for risks which were historically bundled together and not charged for

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